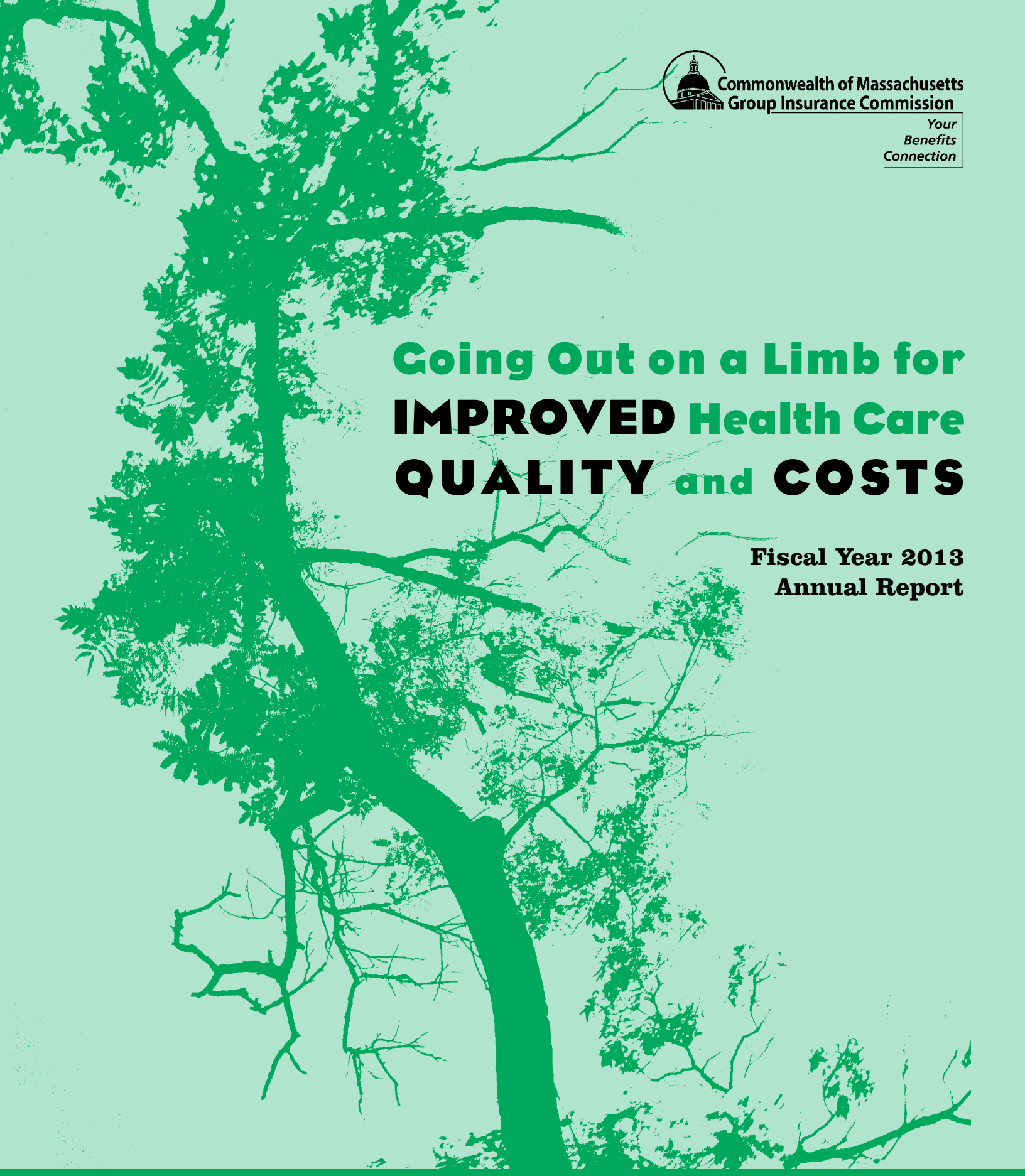


Commonwealth of Massachusetts
Group Insurance Commission
Your Benefits Connection

Going Out on a Limb for IMPROVED Health Care QUALITY and COSTS

Fiscal Year 2013
Annual Report

Commonwealth of Massachusetts
GROUP INSURANCE COMMISSION

THE GROUP INSURANCE COMMISSION

The mission of the Group Insurance Commission (GIC) is to provide high-value health insurance and other benefits to state employees, retirees, and their survivors and dependents. The GIC also covers housing and redevelopment authorities as well as certain municipalities that elect to join the GIC through coalition bargaining at the local level. The agency works with vendors selected through competitive bidding to offer cost-effective benefits produced with careful plan design and rigorous ongoing management. The agency's performance goals are to provide affordable, high quality benefits and, as the largest employer purchaser of health insurance in the Commonwealth, to use that position to drive improvements in the health care system.

The GIC offers the following benefit programs:

- A diverse array of health insurance options
- Term life insurance
- Long Term Disability (LTD) insurance
- Dental/Vision coverage for managers, legislators, legislative staff and certain Executive Branch employees
- Dental coverage for retirees
- Discount vision program for retirees
- Health Care Spending Account (HCSA)
- Dependent Care Assistance Program (DCAP)

COMMONWEALTH OF MASSACHUSETTS
GROUP INSURANCE COMMISSION
Fiscal Year 2013 Annual Report
Editor: Cynthia E. McGrath
Printed December 2013

Dear Friends:

I have many favorite authors and enjoy a wide variety of genres. Certain authors stand the test of time and Mark Twain is one of them. A line that has been attributed to him is, "Why not go out on a limb? That's where the fruit is." (The line has also been attributed to Will Rogers.) There's a lot of merit to this idea and this is exactly what the GIC has done with our Centered Care Initiative. We took a confluence of events – going out to bid for our health plan contracts and the implementation of state and federal health care reform – and decided to use the opportunity to change the market. We do not want to just bend the cost curve, but actually reverse it. This has been called radical by some naysayers.

How radical? We're looking to have Primary Care Providers be the focal point of care. That means they coordinate care, know our members, and track test results and medications for their patients. Increased use of electronic medical records will improve communications and accuracy among providers and ensure high level care for the chronically ill. We are also negotiating for expanded provider hours so that members do not have to use the emergency room after work when they get sick. Disease management programs and assistance for transitioning from the hospital to other settings are other "radical" aspects of this initiative. In sum – our members should receive patient centered care under this initiative, care will be better coordinated with costs that are kept in check.

While "climbing trees," we've been implementing other aspects of federal health care reform, adding almost 3,100 new municipal members, improving our non-health plan benefits, negotiating better contract terms, collecting revenue that aids the Commonwealth's balance sheet, and rolling out a wellness program. To be sure our members and the wider health care community know what's new with the GIC, we've expanded our social media presence and are in the process of expanding member access online, a major information technology undertaking.

As you read this report, we hope that you will conclude that the GIC is moving out beyond our comfort zone to make changes in the Massachusetts health care system that will benefit both our members and the taxpayers of our Commonwealth.

Very truly yours,

Dolores L. Mitchell
Executive Director

Watch Out!

The GIC is Going Out on a Limb

Going Bold and Implementing Health Care Payment Reform through the Centered Care Initiative

All GIC health plan contracts were coming to an end on June 30, 2013, and the GIC was going out to bid for new five-year contracts. At the same time, health care payment reform legislation, Chapter 224, directs the GIC and the state's Medicaid program to move to alternative payment systems. This law and the federal Affordable Care Act emphasize coordinated care, price transparency, and new ways of paying providers – shifting from fee for service to some form of global payments. The new laws also emphasize primary care as the focal point for achieving better patient care, better population health, and lower per capita costs.

Seizing the opportunity of the health plan procurements, the GIC decided to go bold – and went out on a limb with new contracts and an initiative called Centered Care. Our bid process required plans to work with hospitals, doctors, and other health care providers to establish integrated systems of care called Integrated Risk Bearing Organizations (IRBOs), also frequently referred to as Accountable Care Organizations. These health care entities will manage a broad range of health care services and accept full or partial financial risk for their patients. As the GIC does not contract directly with providers, we built a system of incentives and penalties with the health plans to encourage them to contract with providers who can function as IRBOs. The health plans will be given financial incentives for achieving budget targets and adopting the new payment systems, or penalties for not achieving those benchmarks.

Bending the Cost Curve

Using the GIC's purchasing clout as the largest Massachusetts employer purchaser of health care, the GIC's approach will shift the market, moving providers from fee for service to payment arrangements that result in higher quality, more efficient care. The GIC's health plans will have annual budget targets over a period of five years that allow for 2% rate increases in the early years, followed by flat and then falling rates in the final years of the contract. Adjustments are permitted for externally imposed mandates and in certain other limited circumstances.. The incentives and penalties for exceeding or not meeting the targets will help encourage new contract arrangements with providers and also give incentives for improved care delivery.

Health plans will work with members to identify Primary Care Providers to increase care coordination and quality. Early intervention, use of technology, and improved wellness activities are encouraged. Specific standards for quality measurement and reporting are required both from a patient outcome and provider performance standpoint.

centered care

Health Plan Options Remained the Same, No Major Benefit Changes, and Excellent Rates

After a rigorous procurement, the Commission awarded new contracts to all of the GIC's incumbent vendors and their current plan offerings:

- Fallon Direct Care, Select Care, and Senior Plan
- Harvard Pilgrim Independence, Primary Choice and Medicare Enhance
- Health New England HMO and MedPlus
- Neighborhood Health Plan – NHP Care
- Tufts Health Plan Navigator, Spirit, Medicare Complement, and Medicare Preferred
- UniCare State Indemnity Plan/Basic, Community Choice, Medicare Extension (OME), and PLUS

The GIC's aggressive approach to reversing the cost curve benefits both members and Commonwealth taxpayers. Not only were we able to ***avoid cutting benefits***, we were also able to ***align with*** required new state- and federal-mandated benefits (hearing aids for children, cleft lip and cleft palate coverage, oral cancer therapy, and women's preventive care), and ***add*** some modest benefit enhancements (gym membership reimbursement and tobacco and smoking cessation counseling benefits), while also achieving an overall 3.5% premium increase for FY14. The rate increase was much lower than the 5.5% initial increase requested and ***below the 3.6% target*** under state health care reform. The rate also compares very favorably to other employer trends, which according to Mercer's fall National Survey of Employer-Sponsored Health Plans, were projected to jump 7.4% for 2013 without benefit cuts.

Out on a Limb – All Eyes on the GIC

Rating Providers on Quality and Efficiency Continues

In its eighth year, the GIC's Clinical Performance Improvement (CPI) Initiative improves provider transparency, quality, and efficient use of resources. The program aggregates over 126 million de-identified book of business claims from the six GIC health plan carriers to make quality and efficiency comparisons among physicians. The GIC and our health plans use these results to tier providers. Members pay the lowest copay for the highest performing quality and/or cost efficient doctors:

★★★Tier 1 (excellent)
★★Tier 2 (good)
★Tier 3 (standard)

Throughout the year, the GIC and our plans worked with the provider community to improve communication and understanding of the initiative. We also went out to bid for a consultant to assist with the aggregation, management, and quantitative analysis of the data. A new two-year contract was awarded to Mercer, who will maintain the current methodology on a short-term basis, an important consideration in light of the GIC's directive to move to integrated ways of paying for care. The CPI consultant will be re-procured in a year to allow time for the new payment models to take shape.

Mental Health Carrier Change

Not only were the health plan contracts ending June 30, 2013, but the mental health carve-out vendor contract with United Behavioral Health was also ending. The carve-out vendor administers mental health, substance abuse and Employee Assistance Program benefits to members covered under all of the UniCare health plans and Tufts Health Plan Navigator and Spirit, for a total of 255,000 employee, retiree, and family member lives. The first phase of the procurement sought to determine whether or not these benefits should be carved back into the health plans or separately procured and continued as a carve-out arrangement. After careful analysis, we determined that the best approach for keeping the health plans focused on IRBO work and for program continuity was to conduct a separate mental health carve-out procurement.

In keeping with the direction of integrated care, the mental health carve-out procurement sought to integrate benefits with the health plans and prescription drug carriers, administer plan designs, and provide top quality customer service. After a comprehensive process, the Commission awarded a contract to Beacon Health Strategies, with a value of approximately $45 million per year, and an effective date of July 1, 2013. A Boston-based company, Beacon has provided mental health benefits for GIC members covered under Fallon Community Health Plan and Neighborhood Health Plan for a number of years. Beacon is an innovator in coordination with health plan benefits, and will work closely with staff at UniCare and Tufts to better coordinate care for those with chronic medical conditions who frequently suffer under- or undiagnosed mental health conditions along with their medical conditions.

Employee Assistance Program Helps Those Affected by Marathon Bombings

The GIC provides state agencies and participating municipalities with free Employee Assistance Program (EAP)

benefits for managers and supervisors as part of its mental health carve-out. Agency and municipal staff can contact the EAP for help with stress management, personality conflicts, and help in dealing with challenging behavior. Critical incident debriefings are also provided for client cases or staff murder, domestic violence, and unexpected deaths.

Many state agencies were directly or indirectly affected by the April 2013 Boston Marathon bombings, and EAP services were invaluable to those from seven agencies who helped with the aftermath or knew some of those involved, killed or injured. The GIC's EAP Coordinator has provided assistance to agencies across the Commonwealth for over 20 years under two different vendors and was recently hired by the new mental health carrier, Beacon.

Defense of Marriage Act Overturned

The GIC has provided coverage of same sex spouses since 2004, when Massachusetts legalized same sex marriages. However, because the federal government did not recognize same sex marriage, insureds covering a same-sex spouse were subject to federal income tax on the value of the benefit provided to their same-sex spouse. At the end of June, the U.S. Supreme Court overturned these adverse tax implications. In advance of the ruling, the GIC worked with the Comptroller and the Attorney General's Office to coordinate the implementation of this change. Through these efforts, communications about the implication of the overturn relating to GIC benefits were immediately distributed, and the GIC, state agencies and municipalities were ready to implement members' corresponding health plan and Health Care Spending Account elections.

New Regulations Implemented

The GIC undertook a nine-month project to implement new regulations necessitated by federal health care reform, municipal reform, and transportation agency consolidation. The proposed regulations garnered wide interest and input, particularly from participating municipalities and their union members. The first draft was discussed by the Commission in the fall, and was followed by a public hearing and public comments over the winter. The Commission adopted final regulations in April and they were promulgated by the Secretary of the Commonwealth on May 10, 2013.

The new regulations unified the municipal regulations, which had been broken into two separate regulations reflecting the initial 2007 municipal health reform law (M.G.L. c. 32B, §19) and the newer 2011 law (M.G.L. c. 32B, §21-23). Where there are differences between the two laws, these are outlined within the single municipal regulations section. Eligibility for local elected officials and teachers during the summer months, new penalties for late notice of employee terminations, a three-year lockout provision for municipalities that withdraw from the GIC, and claims data access with privacy provisions were included. In keeping with federal and state health care reform, the definition of Primary Care Providers and dependents were changed, and orphan coverage was expanded up to age 26, to match our expanded dependent coverage. The remainder of the changes clarified GIC operational procedures and policies.

Going Out on a Limb Requires Care

Budget Pressures

There have been a number of new pressures on the GIC's budget. Two communities, Orange and Peabody, joined mid-year in FY13 after the appropriation for FY14 was passed. Another area of concern is the GIC's administrative fund. Although the GIC's enrollment growth has exploded by 36.5% during the last five years, and total expenditures are now at $2.1 billion, the GIC's staffing levels have remained the same during this time period at 55 full-time employees. Because the Commission has voted the use of employee-generated trust funds to pay for some administrative needs, including information technology, telephones, and communications, the GIC appropriations for theses services has not been included in the General Appropriation Act. Because of very low interest rates over the past several years, the trust fund is expected to be exhausted by FY19 *(see page 15 for additional details)*.

A third budgetary issue is the misperception about how much money the Commonwealth spends on employee benefits. While over 50% of the GIC's appropriation is reimbursed from offline housing and redevelopment authorities and municipalities, these offsets to the total appropriation do not show on the GIC's budget line item. They are instead returned to the Commonwealth's General Fund and are accounted for as revenues, but the result is that the GIC's appropriation appears much larger than it actually is *(see page 13 for additional details)*.

In the short term, the GIC has been able to pay FY13 and FY14 claims shortfalls using funds available through the Affordable Care Act. The Early Retiree Reinsurance Program (ERRP) reimbursed employers that covered pre-Medicare retirees. These funds will be depleted in FY14 and we will need a jump in appropriation to cover the use of these one-time revenues.

Implementing Federal Health Care Reform

More aspects of federal health care reform went into effect in FY13 and the GIC implemented all of these without additional resources:

- ***W-2 reporting:*** For the 2012 calendar year, the value of each individual's health plan was required to be reported on employees' W-2 form. The GIC created and sent almost 40 data feeds to municipalities and offline agencies for their employees. The GIC also worked on coordinating this project with the Comptroller to report these amounts for employees covered by the HR/CMS and UMass payroll systems.
- ***Summary of Benefits and Coverage:*** These standardized plan descriptions were required to be distributed to all employees before the beginning of Annual Enrollment and to new hires. The GIC devised standard template language that could be used by all plans, particularly with the GIC's tiered networks and then worked with the health plans to develop and distribute the notices to employees. We also updated new hire procedures to administer these changes.
- ***Section 125 Plan for Non-GIC Eligible Employees:*** Under state health care reform, the GIC, in partnership with Administration and Finance, the Comptroller, and the Connector Authority, had offered non-GIC eligible employees the option of purchasing health insurance on a pretax basis through the Connector Authority. As the Connector would become an Exchange under federal health care reform effective January 1, 2014, they would no longer be able to offer this program. During FY13, the GIC, A&F, and the Comptroller worked together to find a replacement solution.

Enrolling and Disenrolling Members

Adding new members is a major endeavor to ensure smooth transitions, including data exchanges, training sessions, communications development and distribution, programming changes, health fairs, data entry, and billing reconciliation. During FY13, the following new groups joined for health insurance benefits:

Effective January 1, 2013: 2,270 New Members

Town of Orange
MBTA Superior Officers
City of Peabody

Legislation passed to allow Building Based Educators in the City of Lawrence to join; 20 employees joined and were manually processed so that the coverage could be effective March 1, 2013.

Effective July 1, 2013: 830 New Members

Town of Dracut
Nashoba Valley Regional Dispatch District

Withdrawals from Coverage

The GIC received its first request to withdraw from municipal coverage from the Wachusett Regional School District, with 700 members leaving effective July 1, 2013. Additionally, the following communities, representing 125 members, withdrew from the GIC Retired Municipal Teacher (RMT) program: Amherst, Pelham, and Amherst-Pelham Regional School District effective September 30, 2012, and Ware effective July 1, 2013. For RMT withdrawals, the GIC coordinates the termination of life and health insurance coverage with the governmental unit, notifies the Department of Revenue to adjust the annual cherry sheet assessment, and monitors activity for the next two years to adjust any estimated and actual premium assessments. Approximately 420 Retired Municipal Teachers converted from RMT to municipal coverage when Orange and Peabody joined the GIC under municipal health reform.

New Municipal Retiree Dental Option

The FY13 budget amended municipal health care reform to allow participating municipalities to join the GIC's Retiree Dental Plan. The GIC created, implemented and distributed to its municipalities an Administrative Bulletin to outline the administrative steps of this option. The following municipalities elected to join the GIC's Retiree Dental Plan effective July 1, 2013, and the GIC completed the operational, programming and communications steps, enrolling over 1,200 municipal members in the program:

City of Melrose
City of Peabody
City of Pittsfield
Town of Bedford
Town of Brookline
Town of Holbrook
Town of Holden
Town of Hopedale
Town of Millis
Town of Randolph
Town of Saugus
Athol Royalston School District
Northeast Metropolitan Regional Vocational School

Out on a Limb Gathering Honey

Flexible Spending Accounts Enrollment Continues To Climb

Helping employees understand the benefits of pretax programs is complex, but through an extended open enrollment period and new communications efforts, including a colorful targeted postcard mailing, enrollment in the Health Care Spending Account and Dependent Care Assistance Program increased 10.7% to more than 18,200 members.

Retiree Dental Plan Enhanced

GIC staff, our consultant, and our dental carrier analyzed the very popular Retiree Dental plan to see how benefits for this retiree-pay-all program could be modified without unduly affecting costs. As a result of this analysis, the Commission adopted the following benefit enhancements and changes for July 1, 2013. These changes were approved in the fall to give potential municipalities an opportunity to opt into the more comprehensive program:

- The annual maximum benefit increased to $1,250 per member per year
- Dental implants covered for first time
- Provider reimbursements for the 10 most common procedures increased, translating into lower out-of-pocket costs for members
- The frequency of coverage for certain services changed in keeping with industry standards.

Premiums increased only 3.4% as the result of these changes. Coupled with the new municipal enrollments, enrollments increased by over 2,500.

Pharmacy Benefit Manager Contract Saves Money

The GIC carves out pharmacy benefits for all UniCare members, representing 150,000 lives, predominantly retirees, and expenditures of over $200 million per year. With the last year of the three-year contract ending with CVS Caremark at the end of the fiscal year, the GIC completed extensive analysis and subsequent negotiation of new contract terms with assistance from our consultant. The GIC executed a two-year contract extension that will result in savings of approximately $19 million in FY14 and FY15.

Medicare Part D Efforts Continue to Help Commonwealth's Bottom Line

Through FY12, a total of $161.5 million had been sent to the Commonwealth's General Fund as the result of the GIC's reconciliation process with the federal government and four of our prescription drug plans for Medicare members. The FY13 work translated into an additional $24.5 million reimbursement bringing the overall total reimbursement to $186 million.

Audits Pay Dividends

Four audits were performed in FY13, providing a valuable review of the claims payment operations of four of the GIC's insurance vendors. Overall accuracy has risen over the years from the low eightieth percentile and is now in the high ninetieth percentile, but audits provide a useful tool for finding areas of potential improvement. The audits looked at financial accuracy, compliance with GIC benefits, and claims turnaround time. Both UniCare and Health New England performed very well on their audits. Fallon's audit revealed need for improvement and Neighborhood Health Plan's audit uncovered systemic issues that needed to be addressed, particularly regarding copay and deductible errors. Across all of the plans audited, lab charges, which are now reviewed on an automated basis, had been charged by providers as being reviewed by pathologists, representing $400,000 in upcharges that should not have been paid. This error has been corrected across all plans, the GIC was reimbursed for errors found, and staff is working with the plans to address other areas that need improvement.

Awards and Recognition

One hundred percent of GIC staff participated in this year's Commonwealth of Massachusetts Employee Charitable Campaign (COMECC) campaign, with total donations up 9%. Staff monetary donations were supplemented with a book sale that raised almost $100. The GIC also received an Operational Services Division Supplier Diversity Women-Owned Business Enterprise (WBE) award for meeting and exceeding its WBE purchasing benchmarks.

Out on a Limb and Surveying the Scene for Opportunities

Information Technology Enhancements

Online Access for Offline Agencies: Although most state agencies have access to the GIC's eligibility system, offline agencies, including housing and redevelopment authorities and municipalities do not. The GIC's Information Technology Department developed and rolled out a new web application that allows these offline agencies to change their employees' coverages. Additionally, they can now access their GIC bills electronically, which reduces the GIC's mailing costs and improves member confidentiality.

Combined Billing: Members who pay their premiums via bill instead of payroll or pension deduction, such as those on COBRA, survivors, and employees on leave, would receive up to three bills from the GIC depending on which coverage they had (life/health, Long Term Disability, and dental/vision or retiree dental). This year, we upgraded our system so members get only one combined bill. One of the most difficult aspects of the project was to determine how payments would be applied and the corresponding coverage termination policy. The project was rolled out at the end of January and has resulted in improved understanding of the bills, easier ability to pay with online banking, reduced postage and processing costs, and improved collection of unpaid premiums.

Correspondence System: The GIC receives over 1,200 written member inquiries per month. The Information Technology Department developed and implemented by the end of the fiscal year a new correspondence system that allows these inquiries to be scanned, assigned to particular units and tracked for resolution.

MyGIC Online Self Service: Information Technology staff worked throughout the year on developing an all-new, secure online self-service portal, called MyGIC, that will allow employees to view their GIC benefits, and in the future will allow them to change their benefit elections online during Annual Enrollment.

Federal Grant Awarded

The Centers for Medicare and Medicaid Services offered a grant toward supporting the transformation of the state's health care payment and delivery systems through a multi-payer model. The state Executive Office of Health and Human Services asked the GIC to collaborate on the application. CMS awarded the grant to the state in December, and the GIC received $1.1 million of the award to be used for improving integration of care and provider accountability. During the remainder of the year, staff began the procurement process for a vendor that could study the cost and quality effects of the GIC's initiatives on new provider payment systems.

Survivor Audit

The GIC has comprehensive procedures in place to verify eligibility before a spouse, former spouse, dependent or survivor can enroll in coverage. Prior to enrollment, insureds must provide documentation to establish a family or legal relationship to eligible employees and retirees. As part of the GIC's fiduciary responsibility, and in response to FY13 budget requirements, in the fall the GIC conducted a survivor audit to our 11,200 survivors. This audit sought to determine whether any of these survivors had remarried, and were therefore no longer eligible for GIC coverage. A series of bright orange mailings were sent to the survivors and a 96% response rate was achieved. For those who did not respond, coverage terminated, but was reinstated as long as the member certified that he or she had not remarried. Total net savings from the audit after the mailing and processing costs was $165,000 as there were 33 state survivors who had remarried and not reported their remarriage to the GIC. Another 13 municipal survivors had remarried and these policies were terminated, resulting in savings to the municipalities.

WellMASS Wellness Pilot Program Helps Members Get Healthy

Wellness is a key strategy to help employers reduce health care costs. With a large proportion of the population overweight, using tobacco, and not exercising regularly, making changes requires ongoing employer and employee efforts. In part through use of the Early Retiree Reinsurance Program funds, the GIC was able to launch a limited pilot program in March of 2012 that provides an online portal and dedicated staff to help eligible enrollees get healthier. Those eligible include employees in the Executive Branch, Constitutional Offices, and the Legislature, and state retirees ages 55-64 and their GIC-covered spouses who are enrolled in a GIC health plan.

Program results for the first year include:

- Over 2,700 participants in the 200 onsite program offerings, including Lunch 'N Learn sessions
- 1,660 employees participated in the Step It Up walking campaign to walk 10,000 steps per day
- 800 employees participated in the Weight Loss Challenge and collectively lost 1,422 pounds
- 4,000 employees and retirees completed a personal health assessment; 2,500 of these people were eligible for health coaching by phone, mail and Internet on their health risks, and 1,300 took advantage of this option.

Out on a Limb and Sharing the View

As the GIC moves forward with bold ways of changing the health care delivery system, outreach and sharing ideas with others becomes more critical than ever. The GIC staff participates in a variety of national and state organizations that are also innovators in the benefit world. The GIC's Executive Director is frequently asked to speak about the GIC and our initiatives and serves as a board member of the following organizations:

National

- National Committee for Quality Assurance (NCQA) – Board Chair of the accrediting organization for managed care plans, physicians, and medical homes.
- National Quality Forum and its Measures Applications Partnership and Affordability Task Force – advises the federal Secretary of Health and Human Services on patient safety and quality measurements.
- Milbank Foundation Advisory Committee – publishes health care research.
- Catalyst for Payment Reform – a founding member of this organization, led by large health care purchasers devoted to improve quality and reduce costs by identifying and coordinating workable solutions to how we pay for health care in the U.S.

State

- Massachusetts Health Connector Authority – the Massachusetts exchange that runs Commonwealth Care and Commonwealth Choice and implemented Chapter 58, the Massachusetts health reform law.
- Institute for Clinical and Economic Review (ICER) Advisory Committee – appraises the clinical effectiveness and comparative value of new and existing health care interventions.
- Other Post-Employment Benefits Commission (OPEB) - investigated and studied Massachusetts public retiree health care and other non-pension benefits in an effort to reduce the cost of future benefits, preserve public employee benefits, and prevent budget cuts in other areas. The OPEB Commission released its recommended changes to benefit eligibility in the winter and the Governor's legislation was filed in February.
- State Retiree Benefit Trust Fund – funds and pays for the state share of retiree health insurance premiums.
- Statewide Quality Advisory Committee - makes recommendations to the Department of Public Health for promulgation of quality-related measures.

In addition, GIC staff collaborate with others to implement national and state health reform legislation (Federal Health Care Reform Implementation Working Group, ACA Reinsurance, Risk Adjustment and Risk Corridors Workgroup, and several committees and task forces pursuant to Chapter 224 including dental care and payment reform), consolidating and sharing databases (Inter-Agency Analytic Group and All-Payer Claims Data Release Committee), improving health care quality (Primary Care Medical Home Initiative, the Leapfrog Group, Statewide Quality Advisory Committee and "Choosing Wisely" Advisory Committee) and implementing the Governor's strategic plans for better health care, government and performance (A&F Strategic Plan and ANF/IT Steering Committee). The GIC also continues to be active in the New England Employee Benefits Council, and the GIC's Communications Director serves on its Board.

Out on a Limb and Enjoying the Journey

Communications Takes Center Stage During Times of Change

Helping members understand their benefit options, how to maximize their benefits, and how to take charge of their own health is particularly important during these times of change. The GIC pulled out multiple stops to help members:

Benefit Decision Guides: This year's health plan and mental health procurements put significant production pressure on writing, producing and mailing this year's Benefit Decision Guides, cited by over 75% of members as their main source of information for Annual Enrollment. With benefit and offerings finalized at the February 15 Commission meeting, there was a three-week window to write, design, edit and proof the bulk of these critical 118 pages.

New Social Media Vehicles Implemented: In the fall, the GIC established a Twitter Account @MassGIC and widely publicized the account throughout the year with new followers added weekly. We developed an animated Public Hearing presentation that was posted on YouTube so that members, Coordinators, and other interested parties who could not attend were able to listen to the presentation from our Executive Director. Similarly, our Coordinator training was taped so that Coordinators who could not attend would be able to view and hear this important presentation on a YouTube video located on our website.

New GIC Coordinator Manual and Forms Developed: We last updated our procedural manuals in 2006. With the advent of new federal and state legislation, the implementation of municipality reform, and new regulations, it was time to revise these important step-by-step procedures for benefits staff. The Operations and Communications Directors met throughout the year to identify changes and new procedures, and drafted all-new comprehensive manuals for municipalities. Due to differences in payroll systems, accessibility to the GIC's eligibility system, and differences in benefit eligibility, three separate manuals were developed: one for HR/CMS and UMass agencies, one for offline agencies, and one for municipalities. Enhancements were also made across almost 30 forms: better disclosures about when spouse and former spouse information is needed, a call out on data that are needed, but is often left blank, leading to processing delays, and the implementation of capturing Medicare plan choices for state employees who are retiring, which will help expedite this enrollment process. We also incorporated new federal health care reform disclosure requirements into the New Hire forms. The revamped forms were rolled out for the 2013 Annual Enrollment period, and Coordinators were trained on changes at the Coordinator training sessions. All content of the new manuals was added to the GIC's website.

GIC Website: The GIC website continued to expand throughout the year and now has over 1,000 pages. The site is widely used with over 9,300 visits and an average of over 107,000 page views per month.

Coordinator Training: GIC Benefit Coordinators located in state agencies and municipalities across the state are a key extension of the GIC and it is important that they are kept up to date on GIC initiatives, legislation, new procedures and forms, and resources available. A series of five training sessions were held across the state before Annual Enrollment and over 560 Coordinators attended. The sessions also included panel discussions with the health plans, new mental health carrier, Long Term Disability and retiree dental plan carriers.

Out on a Limb and Ready to Fly

Moving health care delivery to new payment models is a major undertaking and will not be easy to execute. Some doctors and hospitals are more willing than others to embrace these kinds of payment models. Some providers will dig in their heels about making changes, not only in new payment models, but also about increasing patient access through expanded hours and means of communication, adopting electronic medical records, and improving collaboration with Primary Care Providers. The GIC's health plans are feeling pressure from these providers and are also working through the competing demands of federal health care reform.

The GIC has gone out on a limb with the Centered Care Initiative and will continue our bold efforts to change care delivery through its implementation. Through a steady commitment to improving communication with providers, our plans, and members, we will begin gathering the fruit of better coordinated care and cost efficiency.

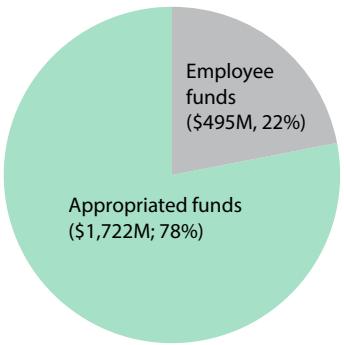
The Centered Care Initiative will take center stage, but we will also continue work on the next steps of federal health care reform, including implementing new Notices of Exchange and finding ways to mitigate new assessments. The GIC will continue to expand our use of social media and our innovation in online member access, rolling out the MyGIC self-service website. And, work is underway to assist new MBTA union and municipal members join the GIC's health coverage.

It's an exciting time in health care and the GIC is ready to fly! We look forward to continuing our work in positively affecting the health care marketplace, our members, and Commonwealth of Massachusetts residents.

GIC REVENUE OFFSETS FISCAL YEAR 2013

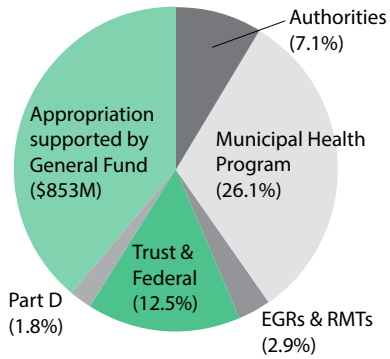
While appropriated funds pay for 78% of GIC expenditures...

FY13 Expenditures



...Reimbursement revenue offsets 50.5% of GIC appropriation

Revenue Offsets by % of Appropriation



FINANCIAL REPORTS

GROUP INSURANCE COMMISSION
STATEMENT OF EXPENDITURES
JULY 1, 2012 - JUNE 30, 2013

DESCRIPTION	COMMONWEALTH	ENROLLEES
Administration (a)	$2,155,126	$0
Basic Life Insurance for State Employees and Retirees	$8,826,592	$2,193,609
Optional Life Insurance for State Employees and Retirees	$0	$31,592,049
Health Insurance for State and Municipal Employees and Retirees (b)	$1,650,714,325	$426,030,757
Dental And Vision Insurance for State Managers & Legislators	$7,895,100	$1,498,737
Long Term Disability Insurance for State Employees	$0	$11,483,266
Health Insurance for Elderly Governmental Retirees (c)	$279,750	$47,707
Life Insurance for Retired Municipal Teachers	$628,660	$171,219
Health Insurance for Retired Municipal Teachers	$52,337,737	$13,074,222
Dental Insurance for Retirees	$0	$8,650,686
Total Expenditures	$1,722,837,290	$494,742,253

Notes for pages 14 and 15

(a) Plus an additional $627,198 from employees' trust funds which were used to pay administrative costs such as postage, telephone and supplies, that are included on the next two statements; and $1,992,156 from communities participating in the GIC's Health Insurance Programs to cover the additional administrative costs.

(b) Medical and prescription drug co-payments and deductibles for FY13 totaled approximately $206.8 million.

(c) The EGR share includes $12,197 from the EGR Trust Fund and $9,493 from the EGR Rate Stabilization Reserve. These amounts are subsidies to the retirees' premiums.

GROUP INSURANCE COMMISSION
STATEMENT OF REVENUE
JULY 1, 2012 - JUNE 30, 2013

SOURCE OF REVENUE	COMMONWEALTH REVENUE
Housing, redevelopment, and other authorities	$121,621,834
Municipal Program Health Insurance	$449,462,164
Elderly Governmental Retirees' Health Insurance	$304,324
Retired Municipal Teachers' Health Insurance	$50,096,053
Insurance chargebacks to state agencies receiving federal and trust funds	$215,528,584
Leave of absence chargebacks to state agencies	$415,839
Federal subsidy for Medicare Part D Program	$30,459,637
Other income	$2,264,741
Total Revenue Credited to Commonwealth's General Fund	$870,153,175

FINANCIAL AND TREND REPORTS

GROUP INSURANCE COMMISSION
SUMMARY OF REVENUES/EXPENDITURES
JULY 1, 2012 - JUNE 30, 2013

Total Expenditures	$17,22,837,290
Total Revenue	($870,153,175)
Net Commonwealth Expense	$852,684,115

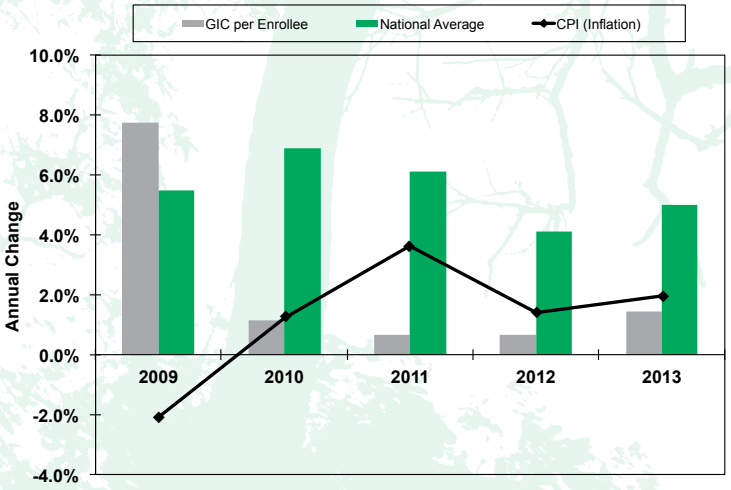
RATE STABILIZATION RESERVE STATEMENT
JULY 1, 2012 - JUNE 30, 2013

RESERVE	BEG. BALANCE	RECEIPTS	EXPENDITURES	ENDING BALANCE
Basic Life Insurance	$3,162,266	$406,287	$0	$3,568,553
Optional Life Insurance	$20,937,813	$778,157	$1,900,000	$19,815,970
Health Insurance	$74,823	$162	$0	$74,985
Elderly Governmental Retirees' Health Insurance (c)	$186,386	$11,540	$9,493	$188,432
Retired Municipal Teachers' Life Insurance	$110,115	$239	$0	$110,353
Retired Municipal Teachers' Health Insurance	$13,696,458	$2,412,233	$3,716,099	$12,392,592

EMPLOYEES' TRUST FUND STATEMENTS
JULY 1, 2012 - JUNE 30, 2013

	BEG. BALANCE	RECEIPTS	EXPENDITURES	ENDING BALANCE
Health Insurance (a)	$2,911,341	$245,958	$627,198	$2,530,101
Elderly Governmental Retirees' Health Insurance (c)	$139,265	$286	$12,197	$127,355
Retired Municipal Teachers' Health Insurance	$0	$0	$0	$0

CHANGE IN GIC AVERAGE COST PER ENROLLEE VS. OTHER BENCHMARKS



Sources: Pool I Demographic and Cost Analysis, 2013 Mercer National Survey of Employer-Sponsored Health Plans, and U.S. Bureau of Labor Statistics http://data.bls.gov/PDQ/servlet/SurveyOutputServlet

TREND REPORTS

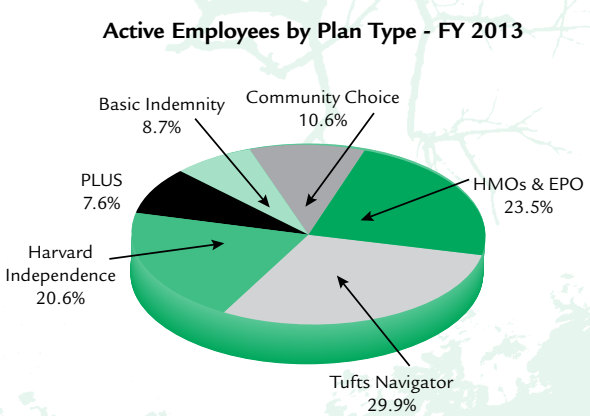
HEALTH PLAN MEMBERSHIP BY INSURED STATUS FY 2013

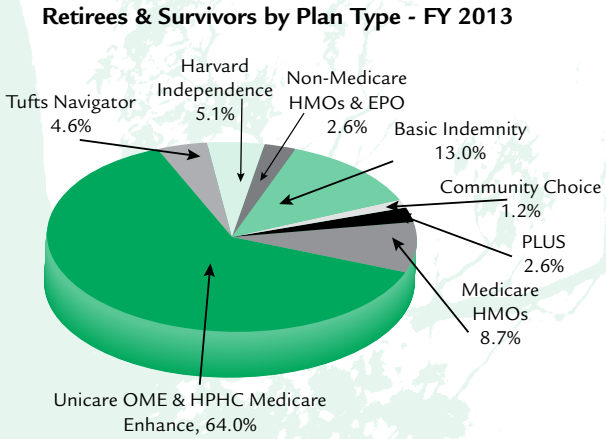
	TOTAL ACTIVE	TOTAL RET & SUR	TOTAL EGR&RMT	TOTAL ENROLLEES	TOTAL DEPENDENTS	TOTAL LIVES
UniCare Basic Indemnity Plan	9,472	10,737	2,777	22,986	17,181	40,167
UniCare PLUS	8,081	2,457	0	10,538	13,443	23,981
UniCare Community Choice	10,895	1,482	0	12,377	16,618	28,995
UniCare Medicare OME Plan	24	57,906	6,721	64,651	0	64,651
Fallon Community Health Plan Direct	2,598	207	22	2,827	2,957	5,784
Fallon Community Health Plan Select	3,251	498	134	3,883	5,845	9,728
Fallon Medicare Senior Plan	0	1,061	80	1,141	0	1,141
Harvard Pilgrim Independence Plan	22,539	5,948	0	28,487	38,692	67,179
Harvard Pilgrim Primary Choice Plan	6,498	489	0	6,987	9,014	16,001
Harvard Pilgrim Medicare Enhance Plan	8	9,724	70	9,802	0	9,802
Health New England	7,426	1,100	195	8,721	11,014	19,735
Health New England Medicare MedPlus Plan	0	1,388	162	1,550	0	1,550
Neighborhood Health Plan	2,761	122	39	2,922	3,017	5,939
Tufts Navigator Plan	32,668	5,409	0	38,077	54,709	92,786
Tufts Spirit Plan	3,131	163	0	3,294	3,127	6,421
Tufts Medicare Preferred Plan	0	3,071	59	3,130	0	3,130
Tufts Medicare Complement Plan	6	4,269	45	4,320	0	4,320
Basic Indemnity Plan	9,472	10,737	2,777	22,986	17,181	40,167
Total PPO-Type Plans	74,183	15,296	0	89,479	123,462	212,941
Total HMO-Type Plans	25,665	2,579	390	28,634	34,974	63,608
Medicare Indemnity Plans	32	67,630	6,791	74,453	0	74,453
Medicare HMO Plans	6	9,789	346	10,141	0	10,141
TOTAL-ALL	109,358	106,031	10,304	225,693	175,617	401,310

*Active enrollment includes enrollment figures for enrollees with IRS or non-IRS dependent coverage.

Source: Pool I Demographic and Cost Analysis: Gross Enrollment Report, and Pool II Gross Enrollment Appendix, Fiscal Year 2013.

FY 2013 ENROLLMENT

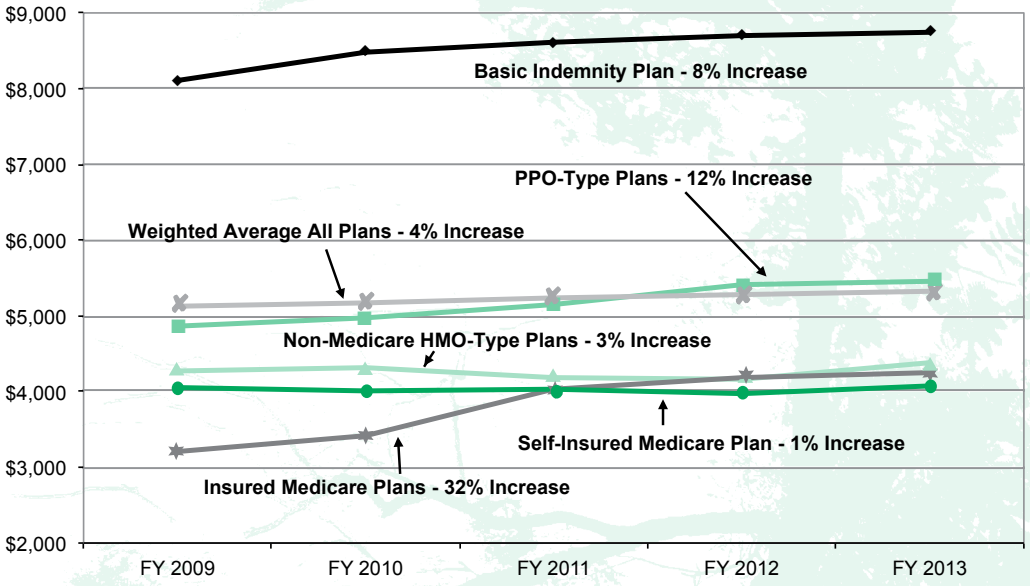




TREND REPORTS

COST PER CAPITA

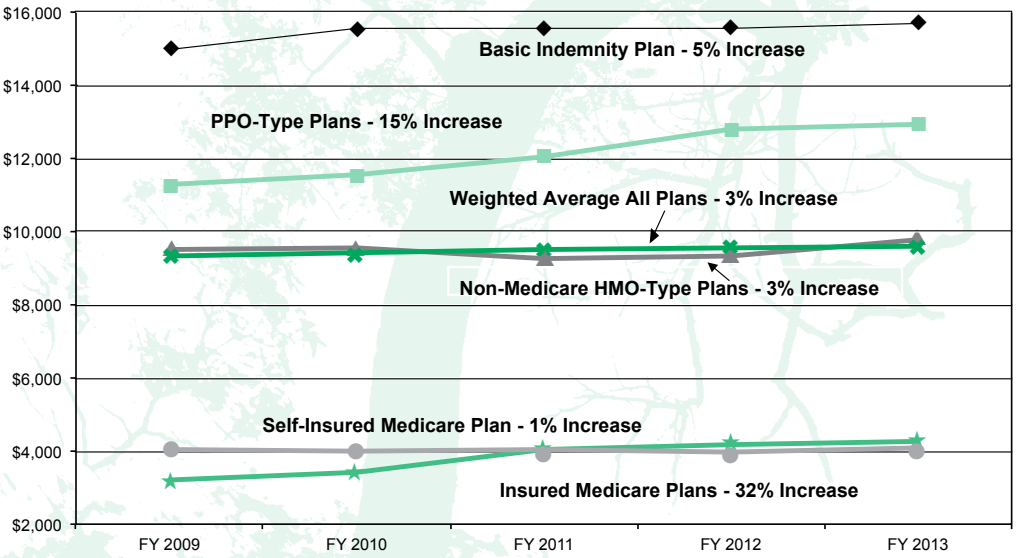
(Total State and Employee/Retiree Share)



* The PPO-Type Plans include the Indemnity PLUS and Community Choice plans, the HPHC Independence plan, and Tufts Navigator.
* Non-Medicare HMO-Type Plans include Fallon Direct and Select, HPHC Primary Choice, HNE HMO, NHP Care, and THP Spirit.
* Does not include EGRs, RMTs, or enrollees' out of pocket expenses.
Source: Pool 1 Demographic and Cost Analysis, Fiscal Years 2009-2013.

COST PER SUBSCRIBER (ENROLLEE)

(Total State and Employee/Retiree Share)



* The PPO-Type Plans include the Indemnity PLUS and Community Choice plans, the HPHC Independence plan, and Tufts Navigator.
* Non-Medicare HMO-Type Plans include Fallon Direct and Select, HPHC Primary Choice, HNE HMO, NHP Care, and THP Spirit.
* Does not include EGRs, RMTs, or enrollees' out of pocket expenses.
Source: Pool 1 Demographic and Cost Analysis, Fiscal Years 2009-2013.

COMMONWEALTH OF MASSACHUSETTS

DEVAL PATRICK, *Governor*

GROUP INSURANCE COMMISSION

DOLORES L. MITCHELL, *Executive Director*

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COMMONWEALTH OF MASSACHUSETTS
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